

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 AF-10 ARA-10 EA-10 EUR-12 NEA-10

OIC-02 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00

FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00

NSC-05 PA-01 AID-05 SS-15 STR-05 ITC-01 TRSE-00

USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 IO-13 (ISO) W

-----071457 180151Z /45

P R 171847Z OCT 77

FM USMISSION GENEVA

TO SECSTATE WASHDC PRIORITY 2023

INFO ALL OECD CAPITALS

AMEMBASSY BRASILIA

AMEMBASSY BUCHAREST

AMEMBASSY BUDAPEST

AMEMBASSY BUENOS AIRES

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USMTN

PASS STR AND AGRICULTURE

STR PASS CODEL

E.O. 11652: N/A

TAGS: MTN, ETRD

SUBJECT: DAIRY SUBGROUP MEETING - OCTOBER 11-14, 1977

REF: (A) GENEVA 8444, (B) TPSC 77-71, (C) STATE 242264,

(D) STATE 246470,

1. SUMMARY: THE DAIRY SUBGROUP MET OCTOBER 11-14, 1977.

IT EXAMINED EC AND NEW ZEALAND PROPOSALS FOR AN INTERNATIONAL DAIRY AGREEMENT. DISCUSSION OF THE PROPOSALS WAS DETAILED AND INSTRUCTIVE. DESPITE EFFORTS BY THE EC AND NEW ZEALAND TO STEER THE SUBGROUP TOWARD AGREEING

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THAT THEIR PROPOSALS SERVE AS A NEGOTIATING BASIS, THERE WAS NO CONSENSUS ON SUCH AN APPROACH. THE SECRETARIAT WILL PREPARE A PAPER SUMMARIZING THE POINTS WHICH HAVE BEEN MADE FOR USE AT THE SUBGROUP'S NEXT MEETING EXPECTED TO TAKE PLACE SOMETIME AFTER NOVEMBER 21, 1977. END SUMMARY.

2. THE DAIRY SUBGROUP MET OCTOBER 11-14, 1977. IT EXAMINED IN CONSIDERABLE DETAIL THE PROPOSALS MADE BY THE EC AND NEW ZEALAND FOR AN INTERNATIONAL COMMODITY AGREEMENT FOR DAIRY PRODUCTS. THE DISCUSSION OF THE TWO PROPOSALS WAS, HOWEVER, NOT EXHAUSTIVE AND LEFT MANY ISSUES UNEXPLAINED.

3. THE U.S. DEL (KOENIG) AS WELL AS SOUTH AFRICA (SAULEZ) SPAIN (IRANZO), THE NORDICS (NIKKOLA) JAPAN (UENO), AND AUSTRALIA (FOGARTY) NOTED THAT THE PROPOSALS CONTAIN FEATURES WHICH GIVE RISE TO CONCERN OR RESERVATIONS AND REQUIRE AT ANY RATE FURTHER EXAMINATION. HOWEVER, ALL PARTICIPANTS SHOWED WILLINGNESS TO DEAL WITH THE PROPOSALS IN A CONSTRUCTIVE MANNER.

4. THE EC (JACQUOT) EXPLAINED MANY ASPECTS OF THE EC PROPOSAL IN GREAT LENGTH BUT WAS UNCLEAR ON OTHER POINTS. THE EC EXPLANATIONS TENDED TO INDICATE THAT THE QUOTE GENERAL FRAMEWORK AGREEMENT UNQUOTE WOULD NOT BE A MERE CHAPEAU UNDER WHICH THE AGREEMENTS FOR MILK POWDER AND BUTTER AS WELL AS CONCERTED DISCIPLINES WOULD BE FUNCTIONING INDEPENDENTLY BUT THAT THE COMMITMENTS UNDER THE GENERAL FRAMEWORK AGREEMENTS WOULD BE THE JURIDICAL PREMISE ON WHICH ALL THE SPECIAL AGREEMENTS INCLUDING CONCERTED DISCIPLINES WOULD BE PREDICATED. THE OVERALL AGREEMENT WOULD, IN ACCORDANCE WITH GATT ARTICLE XX(H), SUPERSEDE MOST, THOUGH LIMITED OFFICIAL USE

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NOT ALL GATT RULES. SOME GATT ARTICLES (E.G. ARTICLE XIX) COULD BE INVOKED, OTHERS (E.G. ARTICLE VI) WOULD BE SUSPENDED. JAPAN, AUSTRALIA, AND THE NORDICS TOOK STRONG EXCEPTION TO THESE ASPECTS OF THE EC PROPOSAL. THE EC EXPLAINED THAT CONCERTED DISCIPLINES, WHILE PERMITTING THE USE OF EXPORT SUBSIDIES, WOULD ESTABLISH SUCH MINIMUM EXPORT PRICES AS TO ELIMINATE THE POSSIBILITY OF INJURY TO PRODUCERS IN THE IMPORTING COUNTRIES. THEREFORE, ACCORDING TO EEC, COUNTERVAILING UNDER ARTICLE VI WOULD BE INOPERATIVE. THE EC FURTHER EXPLAINED THAT THE PROVISIONS ON HEALTH AND SANITARY MATTERS CONTAINED IN ITS PROPOSAL WOULD ALSO INVOLVE QUESTIONS OF PACKAGING AND LABELLING. YET THIS WOULD BE WITHOUT PREJUDICE TO THE OPERATION OF THE STANDARD CODE.

6. WE DID NOT ASK AND THE EC DID NOT EXPLAIN WHETHER THE EC PROPOSAL WHICH WOULD SUPERSEDE MOST GATT PROVISIONS WOULD ALSO SUSPEND THE U.S. WAIVER FOR SECTION 22 ACTION ON DAIRY PRODUCTS. THIS, IT SEEMS TO US, WOULD BE A LOGICAL CONSEQUENCE OF THE EC PROPOSAL BUT NOT NECESSARILY OF THE NEW ZEALAND PROPOSAL WHICH APPARENTLY WISHES TO RECOGNIZE THE EXISTING DAIRY IMPORT REGIMES. THE NEW

ZEALAND DELS (FARNON AND FALCONER) DISCLAIMED ANY INTENTION OF WISHING TO SUPERSEDE GATT, ALTHOUGH THEY AS WELL AS THE EC TOOK PAINS TO NOTE THE SIMILARITIES BETWEEN THE EC AND THE NEW ZEALAND PROPOSALS.

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ACTION EB-08

INFO OCT-01 ISO-00 IO-13 AF-10 ARA-10 EA-10 EUR-12
NEA-10 OIC-02 FEA-01 AGRE-00 CEA-01 CIAE-00
COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05 L-03
LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15 STR-05
ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 /143 W
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P R 171847Z OCT 77
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 2024
INFO ALL OECD CAPITALS
AMEMBASSY BRASILIA
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C O R R E C T E D C O P Y (TEXT AND DIST)

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7. NEITHER THE EC NOR NEW ZEALAND STRESSED THE PROVISIONS OF THEIR PROPOSAL WHICH CALLED FOR A TRANSFER OF THE REQUEST/OFFER PROCEDURE FOR DAIRY PRODUCTS TO THE PURVIEW OF THE SUBGROUP.

8. WHILE THE EXAMINATION OF THE EC AND NEW ZEALAND PROPOSALS TOOK PLACE IN A GENERALLY BUSINESS-LIKE ATMOSPHERE, A MAJOR ISSUE AROSE IN PRIVATE DISCUSSIONS AND IN A RESTRICTED MEETING. THE SECRETARIAT, THE EC AND NEW ZEALAND WERE OF THE FIRM OPINION THAT THE US WOULD BE READY TO
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ACCEPT THE EC AND THE NEW ZEALAND PROPOSALS QUOTE TO SERVE AS A NEGOTIATING BASIS UNQUOTE. THEY WISHED THE SECRETARIAT TO PREPARE ON ITS OWN RESPONSIBILITY FOR THE NEXT MEETING OF THE GROUP A DRAFT AGREEMENT BRINGING TOGETHER THE ELEMENTS OF THE MULTILATERAL NEGOTIATING SOLUTIONS CONTAINED IN THE EC AND NEW ZEALAND PROPOSALS. THIS DRAFT TEXT WAS TO BE THE BASIS FOR NEGOTIATIONS AFTER DECEMBER 15, 1977.

9. IN A RESTRICTED MEETING DEALING WITH THIS ISSUE WE STATED THAT TO PREPARE A DRAFT AGREEMENT ON THE BASIS OF AN INCOMPLETE EXAMINATION OF THE PROPOSALS TABLED AND IN THE ABSENCE OF OTHER POSSIBLE PROPOSALS AND ALSO WITHOUT TAKING ACCOUNT OF REQUESTS WOULD BE PREMATURE. THE EC THEN DECLARED THAT TO HAVE A TEXT FOR A DAIRY COMMODITY AGREEMENT ON THE TABLE BY DECEMBER 15 WAS AGREED LAST JULY IN US/EC BILATERALS IN TIDE WATER INN AND BRUSSELS.

10. IN A PRIVATE DISCUSSION WITH THE EC, WE DENIED THE EXISTENCE OF SUCH BILATERAL AGREEMENTS IN LINE WITH REF D). JACQUOT THEREUPON STATED THAT THE PASSAGE IN AMBASSADOR STRAUSS' JULY 12 BRUSSELS PRESS CONFERENCE WITH RESPECT TO TEXT OF CODES AND QUOTE OTHER NEGOTIATING INSTRUMENTS UNQUOTE TO BE READY BY DECEMBER 15 IMPLIES THE AVAILABILITY AT THIS DATE OF A DRAFT DAIRY COMMODITY AGREEMENT. THE JAPANESE, IN PRIVATE CONVERSATION, ALSO ASSERTED CATEGORICALLY THAT IN US/JAPAN BILATERALS THEY WERE GIVEN TO UNDERSTAND THAT THE US AIM WAS TO HAVE A DRAFT DAIRY COMMODITY AGREEMENT READY BY MID-DECEMBER.

11. IN THE CONCLUDING SESSION, THE SECRETARIAT, IN AN EFFORT TO FACILITATE THE FUTURE WORK OF THE SUB-GROUP, OFFERED TO PREPARE PRIOR TO THE NEXT MEETING, UNDER IT

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SOLE RESPONSIBILITY, A DOCUMENT WHICH WOULD INCLUDE BUT NOT BE LIMITED TO THE MAJOR ELEMENTS OF THE EC AND NEW ZEALAND PROPOSALS. THIS DOCUMENT WOULD SERVE AS A BASIS FOR DISCUSSION IN FUTURE MEETINGS. THE SUBGROUP ACCEPTED THE SECRETARIAT'S OFFER.

12. THE SUBGROUP AGREED TO MEET AGAIN AFTER NOVEMBER 21 ON A DATE TO BE DECIDED IN CONSULTATION WITH KEY DELEGATION.

13. DRAFTED BY KOENIG. MCDONALD

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Message Attributes

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